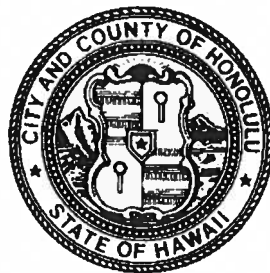


Fiscal Year 2021

PUBLIC HOUSING AGENCY ANNUAL PLAN
DRAFT

January 2020



City and County of Honolulu
Department of Community Services
Community Assistance Division
51 Merchant Street, 2nd Floor
Honolulu, Hawaii 96813
(808) 768-7076
www.honolulu.gov/dcs/housing.html

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1.0 Introduction

The Public Housing Authority (PHA) Plan process was established by the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.), section 5A. The PHA Plan is a guide to PHA policies, programs, operations, and strategies for meeting local housing needs and goals. There are two parts to the PHA Plan: the Five-Year Plan, which each PHA submits to U.S. Department of Housing and Urban Development (HUD) once every 5th PHA fiscal year, and the Annual Plan, which is submitted to HUD every year by non-qualified agencies.

The FYs (Fiscal Years) 2020-2025 Five-Year PHA Plan includes the Agency's mission and the Agency's long-range goals and objectives for achieving its mission over a five-year period. The Five-Year Plan also describes the approach to managing the Section 8 programs and providing services for the upcoming year.

The FY 2021 PHA Annual Plan also includes a statement of compliance with Civil Rights Rules and Regulations and Fair Housing Rules. The Plan also reports on the PHA's progress from the previous year in meeting the goals and objectives described in the 5-Year Plan.

The draft Annual Plan was presented to the Resident Advisory Board (RAB) in January for recommendations and comments. A public hearing is held in March to receive oral or written testimony from the public. The finalized Annual Plan is then submitted to HUD in April.

ABBREVIATIONS

AI	Analysis of Impediments	FFATA	Federal Funding Accountability and Transparency Act
AMHD	Hawaii Department of Health Adult Mental Health Division	FSRS	Federal Subaward Reporting System
APR	Annual Progress Report	FSS	Family Self-Sufficiency
ARRA	American Recovery and Reinvestment Act of 2009 (transportation infrastructure funding)	FY	City and County of Honolulu Fiscal Year July to June
BWS	Board of Water Supply	GASB	Governmental Accounting Standards Board
CAD	Department of Community Services Community Assistance Division	HAP	Housing Assistance Payment
CoC	Continuum of Care	HART	Honolulu Authority for Rapid Transportation
CDBG	Community Development Block Grant	HCV	Housing Choice Voucher
CFDA	Catalog of Federal Domestic Assistance	HOME	Home Investment Partnerships
CFR	Code of Federal Regulations	HOP	Homeownership Option Program
CY	Calendar Year	HOTMA	Housing Opportunity Through Modernization Act
DCAB	State of Hawaii Disability and Communication Access Board	HUD	U.S. Department of Housing and Urban Development
DCS	City and County of Honolulu Department of Community Services	LLP	Limited Liability Partnership
DIT	City and County of Honolulu Department of Information Technology	OMB	United States Office of Management and Budget
DPP	City and County of Honolulu Department of Planning and Permitting	OTS	Oahu Transit Services
ENV	City and County of Honolulu Department of Environmental Services	PBV	Project-Based Voucher
ERS	Employees' Retirement System	PCC	Program Coordinating Committee
ESG	Emergency Solutions Grants	PHA	Public Housing Authority
		PTS	Public Transportation System
		RAB	Resident Advisory Board

SEMAP Section Eight Management Assessment
Program

TA Technical Assistance

TANF Temporary Assistance for Needy
Families

TIGER Transportation Investment Generating
Economic Recovery

2.0

Streamlined Annual PHA Plan

Streamlined Annual PHA Plan (HCV Only PHAs)

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB No. 2577-0226
Expires 02/29/2016

Purpose. The 5-Year and Annual PHA Plans provide a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, and informs HUD, families served by the PHA, and members of the public of the PHA's mission, goals and objectives for serving the needs of low- income, very low- income, and extremely low- income families

Applicability. Form HUD-50075-HCV is to be completed annually by **HCV-Only PHAs**. PHAs that meet the definition of a Standard PHA, Troubled PHA, High Performer PHA, Small PHA, or Qualified PHA do not need to submit this form. Where applicable, separate Annual PHA Plan forms are available for each of these types of PHAs.

Definitions.

- (1) **High-Performer PHA** – A PHA that owns or manages more than 550 combined public housing units and housing choice vouchers, and was designated as a high performer on both of the most recent Public Housing Assessment System (PHAS) and Section Eight Management Assessment Program (SEMAP) assessments if administering both programs, or PHAS if only administering public housing.
- (2) **Small PHA** - A PHA that is not designated as PHAS or SEMAP troubled, or at risk of being designated as troubled, that owns or manages less than 250 public housing units and any number of vouchers where the total combined units exceeds 550.
- (3) **Housing Choice Voucher (HCV) Only PHA** - A PHA that administers more than 550 HCVs, was not designated as troubled in its most recent SEMAP assessment, and does not own or manage public housing.
- (4) **Standard PHA** - A PHA that owns or manages 250 or more public housing units and any number of vouchers where the total combined units exceeds 550, and that was designated as a standard performer in the most recent PHAS and SEMAP assessments.
- (5) **Troubled PHA** - A PHA that achieves an overall PHAS or SEMAP score of less than 60 percent.
- (6) **Qualified PHA** - A PHA with 550 or fewer public housing dwelling units and/or housing choice vouchers combined, and is not PHAS or SEMAP troubled.

A.	PHA Information.																																			
A.1	<p>PHA Name: <u>City and County of Honolulu</u> PHA Code: <u>HI003</u></p> <p>PHA Plan for Fiscal Year Beginning: (MM/YYYY): <u>07/2020</u></p> <p>PHA Inventory (Based on Annual Contributions Contract (ACC) units at time of FY beginning, above)</p> <p>Number of Housing Choice Vouchers (HCVs) <u>4,866</u></p> <p>PHA Plan Submission Type: <input checked="" type="checkbox"/> Annual Submission <input type="checkbox"/> Revised Annual Submission</p> <p>Availability of Information. In addition to the items listed in this form, PHAs must have the elements listed below readily available to the public. A PHA must identify the specific location(s) where the proposed PHA Plan, PHA Plan Elements, and all information relevant to the public hearing and proposed PHA Plan are available for inspection by the public. Additionally, the PHA must provide information on how the public may reasonably obtain additional information of the PHA policies contained in the standard Annual Plan, but excluded from their streamlined submissions. At a minimum, PHAs must post PHA Plans, including updates, at the main office or central office of the PHA. PHAs are strongly encouraged to post complete PHA Plans on their official website.</p> <p>See Appendix A for a list of locations</p> <p><input type="checkbox"/> PHA Consortia: (Check box if submitting a joint Plan and complete table below)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Participating PHAs</th> <th style="width: 10%;">PHA Code</th> <th style="width: 25%;">Program(s) in the Consortia</th> <th style="width: 25%;">Program(s) not in the Consortia</th> <th style="width: 15%;">No. of Units in Each Program</th> </tr> </thead> <tbody> <tr> <td>Lead HA:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr><td> </td><td></td><td></td><td></td><td></td></tr> <tr><td> </td><td></td><td></td><td></td><td></td></tr> <tr><td> </td><td></td><td></td><td></td><td></td></tr> <tr><td> </td><td></td><td></td><td></td><td></td></tr> <tr><td> </td><td></td><td></td><td></td><td></td></tr> </tbody> </table>	Participating PHAs	PHA Code	Program(s) in the Consortia	Program(s) not in the Consortia	No. of Units in Each Program	Lead HA:																													
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Lead HA:																																				

B.	Annual Plan.
B.1	<p>Revision of PHA Plan Elements.</p> <p>(a) Have the following PHA Plan elements been revised by the PHA since its last Annual Plan submission?</p> <p>Y N</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Housing Needs and Strategy for Addressing Housing Needs.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Deconcentration and Other Policies that Govern Eligibility, Selection, and Admissions.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Financial Resources.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Rent Determination.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Operation and Management.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Informal Review and Hearing Procedures.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Homeownership Programs.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Self Sufficiency Programs and Treatment of Income Changes Resulting from Welfare Program Requirements.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Substantial Deviation.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Significant Amendment/Modification.</p> <p>(b) If the PHA answered yes for any element, describe the revisions for each element(s):</p>
B.2	<p>New Activities</p> <p>(a) Does the PHA intend to undertake any new activities related to the following in the PHA's current Fiscal Year?</p> <p>Y N</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> Project Based Vouchers. See Appendix B</p> <p>(b) If this activity is planned for the current Fiscal Year, describe the activities. Provide the projected number of project-based units and general locations, and describe how project-basing would be consistent with the PHA Plan.</p>
B.3	<p>Most Recent Fiscal Year Audit.</p> <p>(a) Were there any findings in the most recent FY Audit?</p> <p>Y N N/A</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> See Appendix C</p> <p>(b) If yes, please describe:</p>
B.4	<p>Civil Rights Certification</p> <p><u>Form HUD-50077</u>, <i>PHA Certifications of Compliance with the PHA Plans and Related Regulations</i>, must be submitted by the PHA as an electronic attachment to the PHA Plan. See Appendix D</p>
B.5	<p>Certification by State or Local Officials.</p> <p><u>Form HUD-50077-SL</u>, <i>Certification by State or Local Officials of PHA Plans Consistency with the Consolidated Plan</i>, must be submitted by the PHA as an electronic attachment to the PHA Plan. See Appendix E</p>
B.6	<p>Progress Report.</p> <p>Provide a description of the PHA's progress in meeting its Mission and Goals described in its 5-Year PHA Plan. See Appendix F</p>
B.7	<p>Resident Advisory Board (RAB) Comments.</p> <p>(a) Did the RAB(s) provide comments to the PHA Plan?</p> <p>Y N</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> See Appendix G</p> <p>(a) If yes, comments must be submitted by the PHA as an attachment to the PHA Plan. PHAs must also include a narrative describing their analysis of the RAB recommendations and the decisions made on these recommendations.</p>

APPENDIX A

List of Locations where the Plan is Available

Appendix A

List of Locations

The Plan will be made available for viewing at the following locations:

1. 51 Merchant Street, 2nd Floor (Community Assistance Division Main Office)
2. 842 Bethel Street, 1st Floor (Section 8 Main Office)
3. 1000 Uluohia Street, #118 (Kapolei Hale Office)
4. 925 Dillingham Boulevard, Suite 200 (Department of Community Services Main Office)
5. 550 South King Street (Department of Customer Services)
6. 558 South King Street (Municipal Reference Center)
7. Community Assistance Division (CAD) Website: Please visit <https://www.honolulu.gov/cms-dcs-menu/site-dcs-sitearticles/1795-cad-plans-and-rules.html>

APPENDIX B

New Activities

Appendix B

Honolulu's rail project is expected to provide new opportunities to develop affordable rental units along the rail line. Implementation of Project Based Vouchers will follow the Annual PHA Plan objective to adopt strategies to maximize voucher usage.

Subject to availability of funding, the City and County of Honolulu PHA envisions setting aside up to 200 project based vouchers over the five year plan period. By Honolulu's Development Plan (DP) areas, up to 140 vouchers may be awarded for the Primary Urban Center (Kahala to Pearl City);

up to 40 for the Ewa DP area;

up to 40 for the Central Oahu DP area;

up to 20 for the East Honolulu DP area;

up to 20 for the Koolaupoko DP area (Kailua Kaneohe);

and up to 20 for the Waianae DP area. No vouchers are envisioned for the Koolauloa and North Shore DP areas.

APPENDIX C

Financial Single Audit and Recommendations

Appendix C

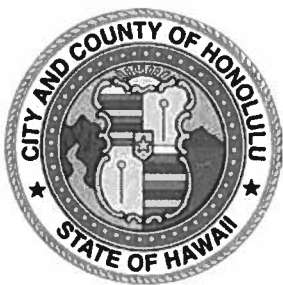
Fiscal Year (FY) 2018 Financial Audit of the City and County of Honolulu, State of Hawai'i
Single Audit of Federal Financial Assistance Programs
Office of the City Auditor

The following are the three audit recommendations from the FY 2018 Single Audit:

Audit Recommendations				
Category	Finding	Description	Administration's Comment	Completion Date
No. 2018-009 Ensuring Tenant Files Properly Support Eligibility Determination	File Errors (3/60)	We recommend the City be more diligent in following its existing policies and procedures to ensure compliance with the Federal requirements.	The City will be more diligent in following its existing policies and procedures to ensure compliance with the Federal requirements.	June 2019
No. 2018-010 Income Targeting	Did not meet the requirement that 75% of families admitted into the program during the FY be extremely low income families. (6/212)	We recommend the City comply with the requirement or seek waivers where applicable.	The City will be more diligent in following its existing income targeting policies and procedures to ensure compliance with the Federal requirements.	June 2019
No. 2018-011 Participant Selection from the Waiting List	Wrong notices or Families taken out of order from Waitlist (13/60)	We recommend that the City be more diligent in following its policies and procedures and provide additional training and oversight to ensure compliance with the Federal requirements.	The City will be more diligent in following its policies and procedures and provide additional training and oversight to ensure compliance with the Federal requirements.	June 2019



Office of the City Auditor



**City and County of
Honolulu
State of Hawai`i**

**Financial Audit of the
City and County of Honolulu,
State of Hawai'i**

**For the Fiscal Year Ended
June 30, 2018**

**Single Audit of Federal Financial
Assistance Programs**

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INTRODUCTION



A Hawaii Limited Liability Partnership

March 20, 2019

The Chair and Members of the City Council
City and County of Honolulu

Dear Chair and Members of the City Council:

We have completed our financial audit of the basic financial statements of the City and County of Honolulu, State of Hawaii (the City) as of and for the fiscal year ended June 30, 2018. Our report containing our opinion on those basic financial statements is included in the City's *Comprehensive Annual Financial Report*. We have also audited the City's compliance with requirements applicable to its major federal financial programs. We submit herein our reports on compliance and internal control over financial reporting and over federal awards, the schedule of expenditures of federal awards, and the schedule of findings and questioned costs. Our audit was performed in accordance with the terms of our contract with the City and with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

OBJECTIVES OF THE AUDIT

1. To provide an opinion on the fairness of the presentation of the City's basic financial statements and the schedule of expenditures of federal awards as of and for the year ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.
2. To consider the City's internal control over financial reporting in order to design our auditing procedures for the purpose of expressing our opinions on the financial statements.
3. To perform tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts.
4. To consider the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.
5. To report on the status of prior year findings and questioned costs.

SCOPE OF THE AUDIT

We performed an audit of the City's basic financial statements and schedule of expenditures of federal awards as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Uniform Guidance.

Our report on the basic financial statements of the City as of and for the year ended June 30, 2018 is included under a separate cover.

We wish to express our sincere appreciation for the excellent cooperation and assistance extended by the management and staff of the City.

Sincerely,

A handwritten signature in black ink, reading "Wilcox Choy". The signature is written in a cursive, flowing style.

Wilcox Choy
Partner

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***



A Hawaii Limited Liability Partnership

**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Independent Auditor's Report

The Chair and Members of the City Council
City and County of Honolulu

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of Honolulu, State of Hawaii (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 8, 2019. Our report includes a reference to other auditors who have audited the financial statements of the Board of Water Supply and Oahu Transit Services, Inc., as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We and the other auditors consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items 2018-001 through 2018-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We and the other auditors consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2018-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KMH LLP

KMH LLP

Honolulu, Hawaii
January 8, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON
INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**



A Hawaii Limited Liability Partnership

**Report on Compliance for Each Major Federal Program, Report on
Internal Control over Compliance, and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

The Chair and Members of the City Council
City and County of Honolulu

Report on Compliance for Each Major Federal Program

We have audited the City and County of Honolulu, State of Hawaii's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on the Major Federal Programs in the Table Below

As described in the accompanying *Schedule of Findings and Questioned Costs*, the City did not comply with requirements regarding the following:

Finding No.	CFDA No.	Program Name	Compliance Requirement
2018-005	14.218	CDBG – Entitlement Grants Cluster	Subrecipient Monitoring
2018-006	14.239	HOME Investment Partnerships Program	Subrecipient Monitoring
2018-007	14.267	Continuum of Care	Reporting
2018-008	14.267	Continuum of Care	Subrecipient Monitoring
2018-009	14.871	Housing Choice Voucher Cluster	Eligibility
2018-010	14.879		
2018-011	14.871 14.879	Housing Choice Voucher Cluster	Special Tests
2018-012	17.258 17.259 17.278	WIOA Cluster	Earmarking
2018-013	20.500 20.507 20.525 20.526	Federal Transit Cluster	Reporting

Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to those programs.

Qualified Opinion on the Major Federal Programs in the Table Above

In our opinion, except for the noncompliance described in Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in the Basis for Qualified Opinion paragraph for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying *Schedule of Findings and Questioned Costs* for the year ended June 30, 2018.

Other Matters

The City's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as items 2018-005 through 2018-013 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as item 2018-014 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed above, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on this response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 8, 2019, which contained an unmodified opinion on those financial statements. We did not audit the financial statements of the Board of Water Supply and Oahu Transit Services, Inc., which are discretely presented component units of the City. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. As described in Note 1 to the schedule of expenditures of federal awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KMH LLP

KMH LLP

Honolulu, Hawaii

March 20, 2019, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is January 8, 2019

**City & County of Honolulu
State of Hawaii**

**Schedule of Expenditures of Federal Awards (SEFA)
Year Ended June 30, 2018**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
<i>Child Nutrition Cluster</i>				
Pass-through State Department of Education --				
Summer Food Service Program for Children	10.559	12-351523	\$ -	\$ 156,743
Total Child Nutrition Cluster			-	156,743
<i>Supplemental Nutrition Assistance Program SNAP Cluster --</i>				
Pass-through State Department of Human Services --				
State Administrative Matching Grants for				
Supplemental Nutritional Assistance Program	10.561	DHS-16-SNAP-3078, SA1 & SA2	-	11,177
Total SNAP Cluster			-	11,177
Total U.S. Department of Agriculture			-	167,920
U.S. Department of Commerce:				
Pass-through State Civil Defense --				
Meteorologic and Hydrologic Modernization Development	11.467	NA16NWS4670036	-	134,567
Total U.S. Department of Commerce			-	134,567
U.S. Department of Housing and Urban Development:				
<i>CDBG-Entitlement Grants Cluster --</i>				
Community Development Block Grants/Entitlement Grants	14.218		12,068,794	21,417,464
Total CDBG-Entitlement Grant Cluster			12,068,794	21,417,464
Emergency Solutions Grant Program	14.231		470,838	528,236
HOME Investment Partnerships Program	14.239		1,388,017	2,746,486
Housing Opportunities for Persons with AIDS	14.241		400,130	416,896
Continuum of Care Program	14.267		6,968,729	7,072,766
Family Self-Sufficiency Program	14.896		-	182,114
Pass-through State Hawaii Public Housing Authority --				
Public and Indian Housing	14.850	SPB 16-02	-	17,493
<i>Section 8 Project-Based Cluster --</i>				
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856		-	152,752
Total Section 8 Project-Based Cluster			-	152,752
<i>Housing Voucher Cluster:</i>				
Mainstream Vouchers	14.879		-	1,404,890
Section 8 Housing Choice Vouchers	14.871		-	51,868,198
Pass-through State Hawaii Public Housing Authority --				
Section 8 Housing Choice Vouchers FSS	14.871	PMB 09-03, SPB 16-02	-	39,136
Total Housing Voucher Cluster			-	53,312,224
Total U.S. Department of Housing and Urban Development			21,296,508	85,846,431
U.S. Department of Justice:				
Domestic Cannabis Eradication/Suppression Program	16.000		-	59,950
Equitable Sharing Program	16.922		-	151,845
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		-	151,233
DNA Backlog Reduction Program	16.741		-	301,536
Pass-through State Department of Human Services --				
Juvenile Accountability Block Grants	16.523	DHS-12-OYS-264, SA6	-	2,441
Pass-through State Department of Attorney General				
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	16-CD-01	-	29,550
Violence Against Women Formula Grants (Non-ARRA)	16.588	14-WF-08, 15-WF-0815-WF-04	-	161,408
Crime Victim Assistance	16.575	14-VA-02, 15-VA-02	512,707	1,396,330
National Sexual Assault Kit Initiative	16.833	16-AK-01	-	22,403
Justice Assistance Grant (JAG) Program				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	-	94,085
Pass-through State of Hawaii Department of Attorney General --				
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	14-DJ-02 & 03, 15-DJ-09 & 11, 16-DJ-0215-DJ-062015-DC-NY-K002	-	311,206
Total JAG Program			-	405,291
Total U.S. Department of Justice			512,707	2,681,987
U.S. Department of Labor:				
YouthBuild	17.274		-	155,755
Homeless Veterans' Reintegration Program	17.805		-	3,186
<i>Workforce Investment Act (WIA) Cluster</i>				
Pass-through State Department of Labor & Industrial Relations				
Workforce Investment Act - Adult Program	17.258	WIOA 15-AP-0, 16-AP-0, 16-DW-0 (Adult), 16-LAC-0, 16-A&DWP-0, 17-A&DWP-0,	-	1,148,765
Workforce Investment Act - Youth Activities	17.259	WIOA 15-YP-0, 16-YP-0, 16-LAC-0	-	1,160,573
WIOA Dislocated Worker Formula Grants	17.278	WIOA 15-DW-0, 16-AP-0, 16-DW-0(DW), 17-A&DWP-0(DW), 16-A&DWP-0, 16-LAC-0	-	777,743
Total Workforce Investment Act Cluster			-	3,087,081
Pass-through State Department of Labor & Industrial Relations				
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	WIA 14-NEG-JD-0	-	34,834

City & County of Honolulu
State of Hawaii

Schedule of Expenditures of Federal Awards (SEFA)
Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
H-1B Job Training Grants	17 268	AAI-15-O	-	206,625
Workforce Innovation Fund	17 283	DEI-PY15-CC	-	101,587
Total U.S. Department of Labor			-	3,589,068
U.S. Department of Transportation:				
<i>Highway Planning & Construction Cluster</i>				
Pass-through State Department of Transportation & Oahu Metropolitan Planning Organization				
		CMAQ-0001 (41) CMAQ-0300(128) FLH-0300(91) STP-0001(040) (042) (052) (055) (057) (058) (059) STP-0300(141) STP-6010(001) STP-7180(001) STP-7411(001) STP-7502(001) STP-7542(001) STP-8920(002)		
Highway Planning and Construction	20 205		-	10,994,989
Highway Planning and Construction	20 205	BR-NBIS-064 & -066	-	396,230
		FHWA 202 07-17, 203 03 16, 203 05-14, 203 8-10, 203 82-11, TAP-0300(150), TAP-9263(001)		
Highway Planning and Construction	20 205		-	231,366
Total Highway Planning & Construction Cluster			-	11,622,585
<i>Federal Transit Cluster</i>				
Federal Transit - Capital Investment Grants	20 500		-	2,381,631
Federal Transit - Formula Grants	20 507		338,470	25,965,666
State of Good Repair Grants Program	20 525		-	950,553
Bus and Bus Facilities Formula Program	20 526		-	1,176,336
Total Federal Transit Cluster			338,470	30,474,186
<i>Transit Services Programs Cluster</i>				
Enhanced Mobility for Seniors and Individuals with Disabilities	20 513		194,765	194,765
Job Access and Reverse Commute	20 516		97,045	97,045
New Freedom Program	20 521		23,934	23,934
Total Transit Services Programs Cluster			315,744	315,744
<i>Highway Safety Cluster</i>				
Pass-through State Department of Transportation				
		DD17&18-10(01-O-01), OP17-05(01-O-01), PS17-09(01-O-01), PT17-01(01-O-01), SC17&18-06(01-O-01), EM17-04 (01-O-01)PS17-09 (06-O-01) AL17-02(01-O-01), PS 17-09(02-O-01), TR 17-03(03-O-01)		
State and Community Highway Safety	20 600		-	1,137,128
National Priority Safety Programs	20 616		-	55,027
Total Highway Safety Cluster			-	1,192,155
Pass-through State Department of Transportation				
Alcohol Open Container Requirements	20 607	AL 17-02(01-O-01)&(06-O-01)	-	525,465
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20 608	AL 18-02(01-O-01)	-	36,171
Total U.S. Department of Transportation			654,214	44,166,306
Environmental Protection Agency:				
Environmental Protection Consolidated Grants	66 606			1,189
Brownfields Assessment and Cleanup Cooperative Agreements	66 818		-	157,908
<i>Clean Water State Revolving Fund Cluster --</i>				
Pass-through State Department of Health --				
Capitalization Grants for Clean Water SRF	66 458	C150048-000	-	271,123
Total Clean Water State Revolving Fund Cluster			-	271,123
Total Environmental Protection Agency			-	430,220
U.S. Department of Education:				
Pass-through State Department of Human Services --				
		DHS 12-VR-640 SA2, SA3, SA4, SA5, 15-VR-2113 SA1, 16-VR-3071, 3074 3075, 3125 (Mod 1), 17-VR-4100		
Rehabilitation Services			-	825,863
-Vocational Rehabilitation Grants to States	84 126		-	825,863
Total Vocational Rehabilitation			-	825,863
Pass-through State Department of Education --				
21st Century Community Learning Center	84 287	13023	-	1,037
Total U.S. Department of Education			-	826,900

City & County of Honolulu
State of Hawaii

Schedule of Expenditures of Federal Awards (SEFA)
Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services:				
<i>Aging Cluster:</i>				
Pass-through State Executive Office on Aging				
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93 044	HON2016N03	771,522	771,522
Nutrition Services Incentive Program	93 053	HON2017NSIP, HON2018NSIP	220,860	220,860
Special Programs for the Aging Title III, Part C Nutrition Services	93 045	HON2016N03	1,835,147	1,850,911
<i>Total Aging Cluster</i>			<u>2,827,529</u>	<u>2,843,293</u>
Pass-through State Executive Office on Aging				
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93 043	HON2016N03	36,401	36,401
National Family Caregiver Support, Title III, Part E	93 052	HON2016N03	415,687	430,140
Pass-through State Department of Health				
Block Grants for Community Mental Health Services	93 958	n/a	-	615,636
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93 243	ASO Log 16-125	-	118,610
Pass-through State Department of Transportation -- State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93 757	PO 00 234952	-	24,500
Total U.S. Department of Health and Human Services			<u><u>3,279,617</u></u>	<u><u>4,068,580</u></u>
Corporation for National and Community Service --				
Retired and Senior Volunteer Program	94 002		-	86,136
Total Corporation for National and Community Service			<u><u>-</u></u>	<u><u>86,136</u></u>
Executive Office of the President --				
High Intensity Drug Trafficking Area Program	95 001		-	1,448,805
Total Executive Office of the President			<u><u>-</u></u>	<u><u>1,448,805</u></u>
U.S. Department of Homeland Security:				
Pass-through State Civil Defense --				
Homeland Security Grant Program				
Urban Areas Security Initiative Program	97 067	EMW 2015-SS-00003	-	1,698,568
State Homeland Security Program	97 067	EMW 2016-SS-00004	-	303,870
<i>Total Homeland Security Grant</i>			<u>-</u>	<u>2,002,438</u>
Emergency Management Performance Grants	97 042	EMW 2015-EP-0003, EMW-2016-EP-0008, EMW- 2017-EP-0003	-	1,003,099
Port Security Grant Program	97 056	EMW-2016-PU-00072	-	75,871
Pass-through National Development and Research Institutes, Inc. --				
Assistance to Firefighters Grant	97 044	2014-FP-00945	-	11,053
Total U.S. Department of Homeland Security			<u><u>-</u></u>	<u><u>3,092,461</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 25,743,046</u></u>	<u><u>\$ 146,539,381</u></u>

City and County of Honolulu State of Hawaii

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City and County of Honolulu (the City) and is presented on the cash basis of accounting and in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Schedule does not include the federal grant activity of the Board of Water Supply and Oahu Transit Services, Inc., discretely presented component units of the City.

2. Loans Outstanding

The City had the following loan balances outstanding and advances awarded as of and for the year ended June 30, 2018, which are not presented in the Schedule.

Program Title	CFDA Number	Loans/ Advances	Loans Outstanding
Major Programs			
Community Development Block Grants – Entitlement Grants	14.218	\$ -	\$ 33,023,924
HOME Investment Partnerships Program	14.239	-	21,532,837
Section 8 Housing Choice Vouchers	14.871	-	3,647,688
		<u>\$ -</u>	<u>\$ 58,204,449</u>

3. Capitalization Grants for Clean Water State Revolving Funds

At June 30, 2018, federal awards and state revolving fund expenditures under capitalization grants for clean water state revolving funds were as follows:

Federal	\$ 271,123
State	<u>34,948</u>
	<u>\$ 306,071</u>

4. Indirect Cost Rate

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ None reported
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? ☒ Yes ☐ No

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section I – Summary of Auditor’s Results (continued)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.218	CDBG – Entitlement Grants Cluster
14.239	HOME Investment Partnerships Program
14.267	Continuum of Care Program
14.871, 14.879	Housing Voucher Cluster
17.258, 17.259, 17.278	Workforce Innovation and Opportunity Act Cluster
20.500, 20.507, 20.525, 20.526	Federal Transit Cluster
93.044, 93.045, 93.053	Aging Cluster

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

City and County of Honolulu State of Hawaii

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2017

Section II – Financial Statement Findings

Finding No. 2018-001: **Significant Non-routine Transactions in the General Obligation Bond and Interest Redemption Fund**

Type of Finding: Material Weakness

Criteria: In accordance with Statement 34 of the Government Accounting Standards Board (GASB), resources flows (except those that affect the statement of financial position only, such as loans, repayments, and deferred inflows of resources and deferred outflows of resources) between a primary government and its discretely presented component units should be reported as if they were external transactions. Management should proactively identify non-routine transactions and determine the proper accounting treatment in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition: The 2017 General Obligation Bond and Interest Redemption Fund was restated to correct errors in the accounting for loans and repayments between a primary government and its discretely presented component unit.

Context: In 2017, the City entered into a Memorandum of Understanding with Honolulu Authority for Rapid Transit (HART) for the issuance of debt for the completion of the Honolulu Rail Transit Project. HART received advances of \$130 million, repaid \$50 million and had \$80 million outstanding. The City properly reported the debt issuance in the government-wide financial statements, but incorrectly reported these resource flows through the governmental fund's schedules of revenues, expenditures and changes in fund balance instead of the balance sheet only in the fund financial statements. The misstatement resulted in a restatement that increased the 2017 fund balance by \$80 million.

Cause: The unfamiliarity of non-routine transactions creates a potential for material misstatement. Management's interpretation of the relevant guidance and their unfamiliarity with this non-routine transaction resulted in a restatement.

Effect: The issue noted above resulted in a restatement to the 2017 General Obligation Bond and interest Redemption Fund's fund balance by \$80 million.

Recommendation: We recommend that management be more diligent in its determination of the proper accounting treatment of significant, non-routine transactions.

City and County of Honolulu State of Hawaii

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section II – Financial Statement Findings (continued)

Finding No. 2018-002: Financial Statement Reporting – HART

Type of Finding: Material Weakness

Criteria: In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, financial statements should be prepared using the economic resources measurement focus and accrual basis of accounting. Under this basis, transactions are recognized when they occur regardless of when cash is received or disbursed.

Condition: As part of the year end process of preparing financial statements using the accrual basis, management provided several preliminary versions of the trial balance which contained errors and certain supporting schedules which did not reconcile with the trial balance.

Context: HART reports on a cash basis throughout the fiscal year and only prepares accrual basis financial statements for its annual report as of and for the period ended June 30. Accordingly, in preparing accrual basis financial statements, there are reconciliations that must be prepared and adjustments that must be recorded in order to properly present accrual basis financial statements.

Cause: We noted that the accuracy of the preparation of the accrual basis financial statements were negatively affected due to the following:

- (1) The primary fiscal accountant who was responsible for the financial statements left HART in September 2018, prior to the start of the audit. The replacement fiscal accountant was new to the position and was not familiar with certain processes and transaction history. A key internal control activity is for employees to be trained and informed of the agency's financial reporting procedures and processes. Individuals involved in the preparation of financial statements and the related supporting schedules should have knowledge of the transactions or they should review supporting documentation and verify the validity and appropriateness of the information.
- (2) There were accounts that were not properly reconciled. Reconciliation is the process of comparing transactions and activity to supporting documentation. The process ensures the accuracy and validity of financial information and should resolve any discrepancies discovered.
- (3) There was inadequate management review of the information provided by the accounting department. A critical internal control activity is an appropriate review and approval process.
- (4) There was a lack of communication regarding the status and accuracy of supporting schedules during the transition from the prior fiscal accountant.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section II – Financial Statement Findings (continued)

Effect: Several versions of the trial balance and supporting schedules were returned to management for further investigation and revisions. Consequently, there were several follow-up requests regarding clarification of the information contained in the supporting schedules. The preceding issues delayed the audit process and consequently the issuance of the audited financial statements.

Recommendations: We recommend management re-evaluate its annual closing process to prepare accrual basis financial statements, including identifying the necessary internal control activities, specifically performing appropriate reconciliations, reviews and approvals and adhering to internal timelines.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section II – Financial Statement Findings (continued)

**Finding No. 2018-003: Accounting for Construction Delay Claims and Internal Communication
 - HART**

Type of Finding: Material Weakness

Criteria: In accordance with GASB Codification Section C50, paragraphs 153 – 162, contingent liabilities such as construction delay claims should be evaluated for accrual. An estimated loss should be accrued if information available prior to the issuance of the financial statements indicates that it is probable that a liability had been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Elements of effective design and implementation of internal control are prescribed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) through their Internal Control – Integrated Framework, specifically the principles related to information and communication which states that management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control. Communication is the continual, iterative process of providing, sharing, and obtaining necessary information.

Condition: The budget and finance department did not record an accrual for a certain construction delay claim.

Context: As part of the year end process of preparing financial statements in accordance with accounting principles generally accepted in the United States of America, construction delay claims that are probable and estimable should be accrued. During the audit, management provided a listing of construction delay claims to support the amount reported in the financial statements. However, prior to the completion of the audit, we became aware of a tentative settlement of a certain construction delay claim, which was not included in the listing provided by management. The budget and finance and procurement departments indicated that the tentative settlement was negotiated without the budget and finance department's involvement. Consequently, the budget and finance department did not have the appropriate or relevant information necessary to evaluate whether the construction delay claim should be accrued.

Cause: We noted that there was a lack of internal communication between departments.

Effect: As a result, we proposed and management recorded an adjustment of \$7.5 million to increase the construction delay claim liability.

Recommendations: We recommend management re-evaluate its processes relating to internal communication, particularly for items that may have a financial impact to HART.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section II – Financial Statement Findings (continued)

Finding No. 2018-004: Change Order and Contract Amendment Management – HART

Type of Finding: Significant Deficiency

Criteria: HART's Contract Change Procedure Manual (Manual) provides the policies, procedures and documentation requirements related to change orders. Based on our review of the Manual and discussions with management, the Manual is primarily designed to be applicable to design-build type activities.

Condition: There were 5 files that did not include the documentation required under HART's Manual.

Context: Out of a population of 110 contract changes, we selected 25 changes for testing, which included certain professional service contracts.

Cause: We noted that the documentation issues related to the following:

- (1) For 1 approved change order, we noted that the change order had the relevant approvals, however, the Finding of Merit form was misplaced and was not in the contract change file.
- (2) For 1 approved change order, we noted that the change order had the relevant approvals, however, a Time Analysis Form and a Request for Change Form was not included in the file. The change order was a unilateral no-cost contract change and management indicated that there are no written procedures that cover this specific type of contract change. Consequently, management applied the standard procedures per the Manual with certain deviations to accommodate the terms of the change order; however, the rationale for the deviations was not documented.
- (3) For 3 approved contract amendments related to construction, engineering and inspection, we noted that the contract amendments had the relevant approvals; however, the Negotiation Strategy Memo, Summary of Negotiations, Technical Approvals, Cost Analysis and the Request for Change were not included in the file. Management indicated that these contract amendments were not related to design-build activities and there are no written procedures that cover this specific type of contract change. Consequently, management applied the standard procedures per the Manual with certain deviations to accommodate the terms of the contract amendment; however, the rationale for the deviation was not documented.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section II – Financial Statement Findings (continued)

Effect: HART did not comply with the documentation requirements in its Manual nor did they provide documentation of deviations for instances that were not covered by the Manual.

Recommendations: We recommend that management be more diligent in retaining the required documentation. We also recommend that management document the rationale for deviations from the procedures and required documents prescribed by the Manual or consider revising the Manual to accommodate the aforementioned contract types.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs

Finding No. 2018-005: Perform Annual Subrecipient Monitoring Duties - CDBG

Federal Agency: United States Department of Housing and Urban Development (HUD)
CFDA No.: 14.218
Program: CDBG – Entitlement Grants Cluster
Award Number and Year B-17-MC-15-0001 2018
B-16-MC-15-0001 2017
Requirement: Subrecipient Monitoring
Type of Finding: Non-Compliance and Material Weakness

Criteria: 2 CFR section 200.331 states that depending on the pass-through entity's assessment of risk posed by the subrecipient, one monitoring tool that may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals is an on-site review of the subrecipient's program operations. 2 CFR 200.331(b) states that pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Condition: The on-site review for 39 out of 40 ongoing projects for testing were not performed. Further noted that only 1 of the 40 ongoing projects had an on-site review during the year.

Context: During our audit, we selected a non-statistical sample of 9 projects (2 ongoing and 7 post-development monitoring projects), out of a population of 72 projects, for testing and noted all but one open project did not have an on-site review completed, and 4 post development site visits were done as policies and procedures had not been in place during the year.

Cause: Management indicated that the on-site review of ongoing and post-development monitoring was not performed due to a transition in monitoring authority from DCS to BFS in the current year as well as a substantial increase of overall duties.

Effect: Failure to perform an on-site review annually results in noncompliance with the subrecipient monitoring requirement.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Questioned costs: None

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2017-004.

Recommendation: We recommend the City continue to implement and perform the formalized policies and procedures approved by HUD related to the ongoing and post-development monitoring functions.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No. 2018-006: Perform Annual Subrecipient Monitoring Duties - HOME

Federal Agency: United States Department of Housing and Urban Development
CFDA No.: 14.239
Program: HOME Investment Partnerships Program
Award Number and Year M17-MC150201 2018
M16-MC150201 2017
Requirement: Subrecipient Monitoring
Type of Finding: Non-Compliance and Material Weakness

Criteria: 2 CFR section 200.331 states that depending on the pass-through entity's assessment of risk posed by the subrecipient, one monitoring tool that may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals is an on-site review of the subrecipient's program operations. 2 CFR 200.331(b) states that pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Condition: The on-site review for 3 out of 7 subrecipients selected for testing was not performed.

Context: During our audit, we selected a non-statistical sample of 7 subrecipients (2 ongoing and 5 post-development monitoring projects), out of a population of 31 subrecipients, for testing and noted 3 subrecipients did not have an on-site review completed. Per review of the 4 post-development monitoring reviews, it was noted that on-site monitoring was done, but a report was never issued to 1 of the subrecipients.

Cause: Management indicated that the on-site review of ongoing and post-development monitoring was not performed due to a transition in monitoring authority from DCS to BFS in the current year as well as a substantial increase of overall duties.

Effect: Failure to perform an on-site review annually results in noncompliance with the subrecipient monitoring requirement.

Questioned costs: None

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2017-005.

Recommendation: We recommend the City continue to implement and perform the formalized policies and procedures approved by HUD related to the ongoing and post-development monitoring functions.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No. 2018-007: Submit Reports in a Timely Manner

Federal Agency: United States Department of Housing and Urban Development

CFDA No.: 14.267

Program: Continuum of Care

Award Number and Year	HI0051L9C011501	2016 – 2017
	HI0014L9C011503	2016 – 2017
	HI0061C9C011100	2016 – 2017
	HI0029L9C011609	2017 – 2018
	HI0034L9C011508	2016 – 2018

Requirement: Reporting

Type of Finding: Non-Compliance and Material Weakness

Criteria: 24 CFR section 578.109(b), states applicants must submit all reports required by HUD no later than 90 days from the date of the end of the project's grant term. Under the reporting requirements of Continuum of Care, the annual progress report (APR) must be completed and submitted timely.

Condition: Reporting requirements for five APRs were not met.

Context: The City was required to submit six APRs during FY 2018. During the audit, we noted that one APR had been submitted, one APR was submitted but rejected and not corrected, and four had not been submitted as of the audit fieldwork date.

Cause: Management indicated that the APRs were not submitted due to competing priorities.

Effect: Failure to submit or timely correct reports results in noncompliance with the reporting requirement.

Questioned costs: None

Identification of repeat finding: This is a repeat finding from the immediate previous audit, 2017-006.

Recommendation: We recommend the City be more diligent in following HUD deadlines in order to ensure compliance with Federal requirements.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No. 2018-008: Perform Annual Subrecipient Monitoring Duties

Federal Agency: United States Department of Housing and Urban Development
CFDA No.: 14.267
Program: Continuum of Care
Requirement: Subrecipient Monitoring
Type of Finding: Non-Compliance and Material Weakness

Criteria: Title 24 CFR section 578.7(a)(6) states that program management should monitor recipient and subrecipient performance, evaluate outcomes, and take action against poor performance.

Condition: Subrecipient monitoring was not performed for six of seven subrecipients.

Context: During our audit, management indicated that only one subrecipient monitoring was performed in the current year.

Cause: Management indicated that the above exception was due to staffing shortages.

Effect: Failure to monitor subrecipients results in noncompliance with the subrecipient monitoring requirement.

Questioned costs: None

Identification of a repeat finding: Not applicable

Recommendation: We recommend the City follow its procedures to monitor subrecipients.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

City and County of Honolulu State of Hawaii

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No.: 2018-009: Ensuring Tenant Files Properly Support Eligibility Determinations

Federal Agency: Department of Housing and Urban Development
CFDA No.: 14.871, 14.879
Program: Housing Choice Voucher Cluster
Award Number and Year N/A 2018
Requirement: Eligibility
Type of Finding: Non-Compliance and Material Weakness

Criteria: The City administers the program under the Operational Procedures Manual (the Manual). The Manual incorporates the requirements of Title 24 of the Code of Federal Regulations, Parts 1, 5, 8, 882, 888, and 982 and requires each family to complete an application form for consideration of admission to the program. The current application form is referred to as the “Section 8 Household Application/Annual Update Form” (the Application). The Application is used to document the household’s asset, income and family identity information and the results of the verification of that information. The Application must be signed by all adult members of the household and a “Housing Examiner.”

Condition: 3 of the program’s eligibility determinations contained errors. Income targeting requirements were not met.

Context: We selected a non-statistical sample of 60 tenant files out of a population of 3,968 for testing. The tenant files selected represented benefit payments of approximately \$70,000 out of a total benefit payment population of approximately \$49 million. The results of our testing were the following:

- 2 tenant files where the Housing Examiner’s signature was missing from the Application resulting in questioned costs of \$2,196.
- 1 tenant file where the original Application was amended to include an additional family member, however a revised Application was not completed resulting in questioned costs of \$327.

Cause: Although the City has policies and procedures in place to ensure that eligibility determinations are properly supported, there was a lack of diligence in complying with the policies and procedures.

Effect: The City was not compliant with the program’s eligibility requirements and may have incurred unallowable costs.

Questioned Costs: \$2,523

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Identification of a repeat finding: This is a repeat audit from the immediate previous audit, 2017-007.

Recommendations: We recommend the City be more diligent in following its existing policies and procedures to ensure compliance with the Federal requirements.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No.: 2018-010: Income Targeting

Federal Agency: Department of Housing and Urban Development
CFDA No.: 14.871, 14.879
Program: Housing Choice Voucher Cluster
Award Number and Year N/A 2018
Requirement: Eligibility
Type of Finding: Non-Compliance and Material Weakness

Criteria: 24 CFR 982.201(b)(2) requires that at least 75 percent of families admitted into the program during the fiscal year be extremely low income families. A lower percent of extremely low income families may be admitted with HUD's approval. Extremely low income families are low income families whose annual income does not exceed 30 percent of the median income for the area.

Condition: Income targeting requirements were not met.

Context: 206 out of the 283 (approximately 73 percent) families admitted during the fiscal year were extremely low income, which was less than the 75 percent requirement. Approval to admit a lower percent of extremely low income families was not requested from HUD until after audit fieldwork.

Cause: The income targeting requirement that at least 75 percent of families admitted into the program be extremely low income families was not met as there were not enough extremely low income families on the waiting list to fill the available slots and approval to deviate from the requirement was not requested from HUD.

Effect: The City was not compliant with the program's eligibility requirements.

Questioned Costs: None noted

Identification of a repeat finding: Not applicable

Recommendations: We recommend the City comply with the requirement or seek waivers where applicable.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No.: 2018-011 Participant Selection from the Waiting List

Federal Agency: Department of Housing and Urban Development
CFDA No.: 14.871/14.879
Program: Housing Choice Voucher Cluster
Award Number and Year N/A 2017
Requirement: Special Tests
Type of Finding: Non-Compliance and Material Weakness

Criteria: 24 CFR 982.204 requires participants to be selected from the Public Housing Agency's (PHA) waiting list, except for special admissions. The PHA must select participants from the waiting list in accordance with admission policies in the PHA administrative plan. "Selection" from the waiting list generally occurs when the PHA notifies a family whose name reaches the top of the waiting list to come in to verify eligibility for admission.

Condition: Participants were not selected and notified to attend an orientation meeting in the order that they appeared on the waiting list.

Context: We selected a non-statistical sample of 60 applicants from the waiting list to test. The results of our testing are as follows:

- 6 applicants were notified to attend orientation meetings later than applicants lower on the waiting list
- 5 applicants were notified to attend orientation meetings before other applicants that were higher on the waiting list
- 1 applicant was erroneously not provided a notification to attend an orientation meeting
- 1 applicant was provided a notification to attend an orientation meeting that did not include a date or time for the orientation meeting

Cause: Although the City has policies and procedures in place to ensure that applicants are properly selected from the waiting list, there was a lack of diligence in complying with the policies and procedures. There were increased errors in the second half of the fiscal year due to new personnel assuming responsibility for generating the notifications to applicants in the proper order.

Effect: The City was not compliant with the program's policies and procedures over the selection of applicants from the waiting list.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Questioned Costs: None noted.

Identification of a repeat finding: Not applicable

Recommendations: We recommend that the City be more diligent in following its policies and procedures and provide additional training and oversight to ensure compliance with the Federal requirements.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No.: 2018-012 Earmarking

Federal Agency:	Department of Labor	
CFDA No.:	17.258, 17.259, 17.278	
Program:	WIOA Cluster	
Award Number and Year	WIOA-16-YP-O	2016-2018
	WIOA-17-YP-O	2017-2019
Requirement:	Earmarking	
Type of Finding:	Non-Compliance and Material Weakness	

Criteria: 29 USC 3164(c)(4) and (c)(2)(C) requires that at least 20 percent of the Youth Program funds allocated to the local area be used for paid and unpaid work experiences.

Condition: The City did not meet the 20 percent requirement referenced above.

Context: The Youth Program expenditures used for paid and unpaid work experiences during the fiscal year was calculated to be approximately 12 percent of the total Youth Program-related expenditures.

Cause: The process to establish a work experience site can take several months and employers or training sites may withdraw their participation. Also, the City was not separately tracking the Youth Program expenditures for paid and unpaid work experiences prior to October 2017.

Effect: Failure to meet the earmarking requirement results in noncompliance.

Questioned Costs: None noted.

Identification of a repeat finding: Not applicable.

Recommendations: We recommend that the City be more diligent in meeting the earmarking requirements.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No.: 2018-013 Preparation of Federal Financial Reports

Federal Agency:	Department of Transportation	
CFDA No.:	20.500, 20.507, 20.525, 20.526	
Program:	Federal Transit Cluster	
Award Number and Year	HI-04-0015	2014-2016
	HI-05-207/208	2014-2017
	HI-16-X002	
	HI-34-0003	2015-2017
	HI-37-X009	2015-2018
	HI-54-0001	2015-2017
	HI-57- X009	2015-2018
	HI-90-X034/X035/X036	2014-2019
	HI-2016-001/003	2016-2022
	HI-2017-001/002	2016-2018
Requirement:	Reporting	
Type of Finding:	Non-Compliance and Material Weakness	

Criteria: FTA Circular 5010.1E Chapter III Section 3(c) states that the Federal Financial Report (FFR) may not be prepared on the cash basis of accounting, even though a recipient may keep its books on the cash basis during its accounting year. If this is the case, at the submission of the FFR, the recipient must prepare the necessary accruals and submit the FFR on the accrual basis of accounting.

Condition: The City did not prepare all the FFRs on the accrual basis of accounting and errors were noted in the FFRs prepared on the accrual basis FFRs.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Context: The City provided FFRs on the cash basis of accounting for FFRs submitted through December 2017. Specifically, the City was not reporting incurred expenditures that had not been paid and there was no process in place to develop accruals for FFR purposes. The City submitted FFRs on the accrual basis of accounting beginning in January 2018, however, errors were noted. We selected a non-statistical sample of 6 FFRs to test. The results of our testing are as follows:

- 4 FFRs were submitted on the cash basis of accounting
- 2 FFRs were submitted on the accrual basis of accounting, however, errors were noted in the calculation of the accrued expenditures due to expenditures incurred after the end of the quarter being included
- 3 FFRs were submitted, however, there was no evidence of review by an authorized official prior to submission

Cause: The program was not aware of the requirement to prepare the FFRs on the accrual basis of accounting prior to program monitoring conducted for the period ending September 30, 2017. Subsequently, the program revised their procedures to prepare the FFRs on the accrual basis of accounting. The amounts to be accrued are provided by the project managers each quarter, however, no review is done by the fiscal office to determine the accuracy of the amount.

Effect: The City was not compliant with the reporting requirement.

Questioned Costs: None noted.

Identification of a repeat finding: This is a repeat audit from the immediate previous audit, 2017-010.

Recommendations: We recommend that the City be more diligent in following their policies and procedures to ensure FFRs are accurately prepared in accordance with the requirements.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No. 2018-014: Miscalculation of Housing Assistance Payments

Federal Agency: United States Department of Housing and Urban Development
CFDA No.: 14.267
Program: HOME Investment Partnerships Program
Award Number and Year M17-MC150201 2018
Requirement: Eligibility
Type of Finding: Significant Deficiency

Criteria: 24 CFR 92.209(h) states "the amount of the monthly assistance that a participating jurisdiction may pay to, or on behalf of, a family may not exceed the difference between a rent standard for the unit size established by the participating jurisdiction and 30 percent of the family's monthly adjusted income."

Condition: The monthly Housing Assistance Payments (HAP) for 3 recipients were calculated incorrectly.

Context: For 3 out of 23 recipients tested for eligibility for Tenant Based Rental Assistance (TBRA), the income and/or utility allowance used to calculate the monthly HAP was calculated incorrectly. The 23 recipients tested received approximately \$158,000 of HAP during FY 2018 out of the total HAP of approximately \$689,000 received by 132 recipients. One error was identified during the audit and two errors were identified by the program, however, it was identified after several months of incorrect HAP were made. The net effect was \$3,514 of HAP overpaid during the year.

Cause: Management indicated that the above exceptions were due to oversight by the Case Managers and Supervisor.

Effect: Failure to properly calculate income could result in noncompliance with the eligibility requirement.

Questioned costs: \$3,514

Identification of a repeat finding: This is a repeat audit from the immediate previous audit, 2017-011.

Recommendation: We recommend the City provide additional training and oversight over the calculation of income.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City and County of Honolulu State of Hawaii

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Financial Statement Findings

Finding No. 2017-001: Deficiencies in Information Technology Controls (Significant Deficiency)

Condition: During the audit, we noted several IT control deficiencies that, when considered collectively, may impact the City's financial statements.

Context: As part of our financial statement audit for the year ended June 30, 2017, we performed an IT general controls review of the following systems operated by the City:

- Windows Domain
- AMS Advantage Financial Management System
- AMS Advantage Human Resources Management System
- Personnel Time and Attendance (PT&A) System
- IAS World Web Based Real Property System
- Revenue Collection Cashier System

Our review resulted in several IT control deficiencies as follows:

- Access to a server administrator account is shared.
- Disaster recovery plan not updated or tested for effective implementation.
- Security patches not applied as Third Party Systems hosted are not required to follow patch management schedule.

Cause: The primary cause of the internal control deficiencies is that the City's IT procedures do not incorporate internal control procedures addressing the items discussed above.

Recommendation: We recommend that the City perform the following:

- Update its IT procedures to include internal control procedures addressing the IT risks above.
- Identify methods to ensure that IT policies and procedures are consistently followed.

Status: This comment is no longer applicable:

City and County of Honolulu State of Hawaii

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

Finding No. 2017-002: Accounting and Financial Reporting of Investments (Significant Deficiency)

Condition: During the 2017 audit, we noted that participating investment contracts with maturities greater than one year were improperly recorded at amortized cost resulting in misstatements of approximately \$845,000, \$237,000, and \$2,114,000, to the General, Solid Waste, and Sewer Fund financial statements, respectively. Adjustments were proposed, which management recorded, to correct the misstatements identified.

Context: In 2017, the City starting investing in participating investment contracts with maturities, at the time of purchase, of greater than one year.

Cause: Management did not have policies and procedures to identify investments that meet the criteria of being recorded at fair value.

Recommendation: Management should create policies and procedures to record investments in accordance to U.S. GAAP.

Status: This comment is no longer applicable.

Federal Award Findings and Questioned Costs

Community Development Block Grant Program CFDA 14.218

Finding No. 2017-003: Timeliness (Non-Compliance and Material Weakness)

Condition: Program funds were not expended in a timely manner.

Context: HUD notified the City via a letter dated December 4, 2017 that the City was not in compliance with the sixty-day timeliness test conducted on May 2, 2017 as the City had a line of credit of 1.78 times its annual grant.

Cause: Most of the CDBG grant funding for capital projects were awarded to nonprofit sub-recipients who had difficulty expending the funding quickly enough to meet the timeliness requirement.

City and County of Honolulu State of Hawaii

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

Recommendation: We recommend the City establish procedures to ensure that it is in compliance with the CDBG timeliness standard specified in 24 CFR 570.902. In addition, we recommend that the City ensures that it complies with the final workout agreement determined with HUD.

Status: This comment is no longer applicable.

Community Development Block Grant Program CFDA 14.218

Finding No. 2017-004: Perform Annual Subrecipient Monitoring Duties (Non-Compliance and Material Weakness)

Condition: The on-site review for two subrecipients selected for testing were not performed. Further noted that only 3 of the 38 open projects had an on-site review during the year. Also, documentation of the approved risk assessment for open projects being performed at the beginning of the fiscal year could not be provided.

Context: During our audit, we selected a non-statistical sample of 8 projects (5 Open and 3 Post-Development Monitoring projects), out of a population of 56 projects, for testing and noted two open projects which did not have an on-site review completed. Per the City's CDBG Monitoring Policies and Procedures, "the CDBB [Community Based Development Division] policy is to conduct at least one subrecipient monitoring visit every year for each subrecipient with an open CDBG activity".

Cause: Management indicated that the on-site review was not performed due to staffing shortages and other competing priorities.

Recommendation: We recommend the City follow its procedures to monitor subrecipients on a timely basis, in accordance with their policy.

Status: This comment is still applicable. See finding 2018-005

HOME Investment Partnerships Program CFDA 14.239

Finding No. 2017-005: Perform Annual Subrecipient Monitoring Duties (Non-Compliance and Material Weakness)

Condition: The on-site review for one subrecipient selected for testing was not performed. Also, the risk assessment for open projects was not performed.

City and County of Honolulu State of Hawaii

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

Context: During our audit, we selected a non-statistical sample of 5 subrecipients (2 Open and 3 Post-Development Monitoring projects), out of a population of 19 subrecipients, for testing and noted one subrecipient who did not have an on-site review completed. The on-site review was completed for one out of the 6 open subrecipients.

Cause: Management indicated that the on-site visit was not performed due to staffing shortages and other competing priorities.

Recommendation: We recommend the City follow its procedures to monitor subrecipients on a timely basis, in accordance with their policy.

Status: This comment is still applicable. See finding 2018-006

Continuum of Care CFDA 14.26

Finding No. 2017-006: Submit Reports in a Timely Manner (Non-Compliance and Material Weakness)

Condition: Reporting requirements for five APRs were not met.

Context: The City was required to submit eight APRs during FY 2017. During the audit, we noted that two APRs were not submitted, two APRs were submitted after the 90 day requirement, and one APR was rejected and not corrected.

Cause: Management indicated that the APRs were not submitted due to incorrect data obtained from HMIS (Homeless Management Information System) and competing priorities.

Recommendation: We recommend the City be more diligent in following HUD deadlines in order to ensure compliance with Federal requirements.

Status: This comment is still applicable. See finding 2018-007

**City and County of Honolulu
State of Hawaii**

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

Housing Choice Voucher Cluster CFDA 14.871, 14.879

Finding No. 2017-007: Ensuring Tenant Files Properly Support Eligibility Determinations (Non-Compliance and Material Weakness)

Condition: 19 of the program's eligibility determinations contained errors or missing documentation.

Context: We selected a non-statistical sample of 60 tenant files out of a population of 3,535 for testing. The tenant files selected represented benefit payments of approximately \$69,000 out of a total benefit payment population of approximately \$49 million. The results of our testing were the following:

- 1 tenant file where the verification of the tenant's legal identity was not maintained resulting in questioned costs of \$1,214.
- 7 tenant files where the Housing Examiner's signature was missing from the Application resulting in questioned costs of \$6,783.
- 1 tenant file where the adult tenant's signature was missing from the Application resulting in questioned costs of \$1,177.
- 10 tenant files where reported income or asset information did not agree to amounts verified. These errors did not impact eligibility determinations or benefit payment amounts.

Cause: Although the City has policies and procedures in place to ensure that eligibility determinations are properly supported, there was a lack of diligence in complying with the policies and procedures.

Recommendations: We recommend the City be more diligent in following its existing policies and procedures to ensure compliance with the Federal requirements.

Status: This comment is still applicable. See finding 2018-009

City and County of Honolulu State of Hawaii

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

Housing Choice Voucher Cluster CFDA 14.871, 14.879

Finding No. 2017-008: Timely Reporting (Non-Compliance and Material Weakness)

Condition: The required financial statements were not submitted in a timely manner.

Context: We selected the unaudited and audited financial statements as of and for the year ended June 30, 2016 and the unaudited financial statements as of and for the year ended June 30, 2017 and noted the following:

- The audited financial statements as of and for the year ended June 30, 2016 was submitted and rejected on March 31, 2017. The rejection notice provided a revised due date of June 17, 2017, however the resubmission did not occur until February 27, 2018, approximately 8 months after the revised due date.
- The unaudited financial statements as of and for the year ended June 30, 2017 was initially submitted on September 21, 2017. The financial statements were rejected and resubmitted and accepted on October 6, 2017.

Although the program is required to submit several reports, the FASS-PH system is one of HUD's main monitoring and oversight systems for the program.

Cause: The program does not have documented policies and procedures to address the reporting requirements related to unaudited and audited financial statements. The party responsible for submission of the June 30, 2016 audited financial statements left the program shortly after the initial submission. Additionally, the party currently responsible for submitting the unaudited and audited financial statements is new to the program and was unaware of the requirements.

Recommendations: We recommend the City establish policies and procedures over the reporting of unaudited and audited financial statements.

Status: This comment is no longer applicable.

**City and County of Honolulu
State of Hawaii**

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

Federal Transit Cluster CFDA 20.500, 20.507, 20.525, 20.526

Finding No. 2017-009: Proper Identification of Allowable Direct and Indirect Costs (Non-Compliance and Material Weakness)

Condition: The City requested reimbursement of costs that were potentially unallowable.

Context: The City and FTA formalized a partnership by signing a Full Funding Grant Agreement for the Honolulu Rail Transit Project (H RTP). The H RTP is managed by the Honolulu Authority for Rapid Transportation. In December 2016, there were 2 two drawdowns totaling \$90,396,801 which included \$65,029,088 and \$12,633,523 of payroll and non-payroll administrative costs, respectively, which were incurred from 2010 through December 2016, but were previously undrawn. Federal participation in these costs was 29.8%.

Payroll costs represent all staff time and include personnel who work on non-program related items as well as personnel who are considered part of the general cost of government. Non-payroll administrative costs primarily consisted of facility rentals. These non-payroll administrative costs include costs for non-program items as well as the general cost of government and should not be directly charged to the program, rather, these costs should be allocated based on an approved cost allocation plan.

Cause: The City has policies and procedures to evaluate whether direct construction costs are allowable. The City had previously elected not to request reimbursement for payroll and non-payroll administrative costs, the City did not develop policies and procedures to evaluate the whether such costs were allowable.

Recommendations: We recommend that the City work with the FTA to determine an appropriate course of action related to the questioned costs. Additionally, if the City expects to continue to draw on payroll and non-payroll administrative costs, we recommend that the City develop and implement a cost allocation plan.

Status: This comment is no longer applicable.

City and County of Honolulu State of Hawaii

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

Federal Transit Cluster CFDA 20.500, 20.507, 20.525, 20.526

Finding No. 2017-010: Preparation of Federal Financial Reports (Non-Compliance and Material Weakness)

Condition: City did not have written procedures over the preparation of its FFRs and the reports were not prepared on the accrual basis of accounting.

Context: City provided FFRs on the cash basis of accounting. Specifically, the City was not reporting incurred expenditures that had not been paid and there was not process in place to develop accruals for FFR purposes.

Cause: The program does not have documented policies and procedures to address the reporting requirements related to unaudited and audited financial statements. The party responsible for submission of the June 30, 2016 audited financial statements left the program shortly after the initial submission.

Recommendations: We recommend that the City develop written procedures to ensure FFRs are prepared in accordance with the requirements.

Status: This comment is still applicable. See finding 2018-013

HOME Investment Partnerships Program CFDA 14.267

Finding No. 2017-011: Miscalculation of Housing Assistance Payments (Significant Deficiency)

Condition: The monthly Housing Assistance Payments (HAP) for 3 recipients were calculated incorrectly.

Context: For 3 out of 13 recipients tested for eligibility for Tenant Based Rental Assistance (TBRA), the income and/or utility allowance used to calculate the monthly HAP was calculated incorrectly. The 13 recipients tested received approximately \$97,000 of HAP during FY 2017 out of the total HAP of approximately \$790,000 received by 130 recipients. One error was identified during the audit and two errors were identified by the program, however, it was identified after several months of incorrect HAP were made. The net effect was \$704 of HAP underpaid during the year.

Cause: Management indicated that the above exceptions were due to oversight by the Case Managers and Supervisor.

**City and County of Honolulu
State of Hawaii**

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

Recommendation: We recommend the City provide additional training and oversight over the calculation of income.

Status: This comment is still applicable. See finding 2018-014

Finding No. 2017-012: Schedule of Expenditures of Federal Awards (SEFA) (Significant Deficiency)

Condition: During the audit, several errors were identified in the amounts reported on the SEFA.

Context: The following amounts reported on the SEFA as provided to subrecipients for these programs were initially overstated (understated):

CFDA No.	Program Name	Amount Overstated (Understated)
14.218	CDBG – Entitlement Grants Cluster	\$ 8,492,587
14.239	HOME Investment Partnerships Program	924,951
20.500, 20.507, 20.525, 20.526	Federal Transit Cluster	(297,346)

The following amounts reported on the SEFA as Federal Expenditures for these programs were initially overstated:

CFDA No.	Program Name	Amount
14.218	CDBG – Entitlement Grants Cluster	\$ 9,340,076
20.500, 20.507, 20.525, 20.526	Federal Transit Cluster	165,213

Cause: The City's current process does not facilitate accurate preparation of the SEFA. Program management is responsible for the accuracy of the amounts reported and Budget and Fiscal Services (BFS) personnel are responsible for compiling the SEFA. Management indicated that the above exceptions were due to oversight by the program managers and BFS.

Recommendation: Program and BFS management should establish procedures over the amounts reported on the SEFA to ensure accuracy.

Status: This comment is no longer applicable.

CORRECTIVE ACTION PLAN

DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov

KIRK CALDWELL
MAYOR



NELSON H. KOYANAGI, JR.
DIRECTOR

MANUEL T. VALBUENA
DEPUTY DIRECTOR

March 21, 2019

Mr. Troy Shimasaki
Office of the City Auditor
1001 Kamokila Boulevard, Suite 216
Kapolei, Hawaii 96707

Dear Mr. Shimasaki:

SUBJECT: Single Audit Report for the Fiscal Year Ended June 30, 2018

Enclosed is the response to the recommendations included in KMH LLP's preliminary draft of the single audit report of the City and County of Honolulu for the fiscal year ended June 30, 2018. The response includes actions taken or contemplated, anticipated completion dates, and City personnel responsible for the corrective action.

Sincerely,

A handwritten signature in black ink, appearing to read "Nelson H. Koyanagi, Jr.", is written over a horizontal line.

Nelson H. Koyanagi, Jr., Director
Budget and Fiscal Services

Enclosure

APPROVED:

A handwritten signature in black ink, appearing to read "Roy K. Amemiya, Jr.", is written over a horizontal line.

Roy K. Amemiya, Jr.
Managing Director

**RESPONSE TO SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding No. 2018-001: Significant Non-routine Transactions in the General Obligation Bond and Interest Redemption Fund

Audit Recommendation: We recommend that management be more diligent in its determination of the proper accounting treatment of significant, non-routine transactions.

Administration's Comment: The City will be more diligent in reviewing the accounting treatment of significant, non-routine transactions by documenting and researching the issues for proper reporting in the financial statements.

Anticipated Completion Date: Ongoing

Contact Person(s): Nancy Abilay, Department of Budget and Fiscal Services, Assistant Chief Accountant

Finding No. 2018-002: Financial Statement Reporting - HART

Audit Recommendation: We recommend management re-evaluate its annual closing process to prepare accrual basis financial statements, including identifying the necessary internal control activities, specifically performing appropriate reconciliations, reviews and approvals and adhering to internal timelines.

Administration's Comments: HART concurs with the audit finding. Steps will be taken to ensure the accounting staff receives proper training, and an adequate management review of accounting information is conducted.

Anticipated Completion Date: June 2019

Contact Person(s): Ruth Lohr, Honolulu Authority for Rapid Transportation, Fiscal Officer II

Finding No. 2018-003: Accounting for Construction Delay Claims and Internal Communication - HART

Audit Recommendation: We recommend management re-evaluate its processes relating to internal communication, particularly for items that may have a financial impact to HART.

Administration's Comment: HART concurs with the audit finding. Steps will be taken to ensure items that may have a financial impact are properly and timely communicated to the budget and finance department.

Anticipated Completion Date: June 2019

Contact Person(s): Ruth Lohr, Honolulu Authority for Rapid Transportation, Fiscal Officer II

**RESPONSE TO SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

Finding No. 2018-004: Change Order and Contract Amendment Management - HART

Audit Recommendation: We recommend that management be more diligent in retaining the required documentation. We also recommend that management document the rationale for deviations from the procedures and required documents prescribed by the Manual or consider revising the Manual to accommodate the aforementioned contract types.

Administration's Comment: HART concurs with the finding. New contract change procedures were adopted to ensure change order and contract amendment approval processes are consistent.

Anticipated Completion Date: November 2018

Contact Person(s): Ruth Lohr, Honolulu Authority for Rapid Transportation, Fiscal Officer II

Finding No. 2018-005: Perform Annual Subrecipient Monitoring Duties - CDBG

Audit Recommendation: We recommend the City continue to implement and perform the formalized policies and procedures approved by HUD related to the ongoing and post-development monitoring functions.

Administration's Comment: The City will continue to implement and perform the formalized policies and procedures approved by HUD related to the ongoing and post-development monitoring functions.

Anticipated Completion Date: Ongoing

Contact Person(s): Holly Kawano, Department of Budget and Fiscal Services, Federal Grants Coordinator

Finding No. 2018-006: Perform Annual Subrecipient Monitoring Duties - HOME

Audit Recommendation: We recommend the City continue to implement and perform the formalized policies and procedures approved by HUD related to the ongoing and post-development monitoring functions.

Administration's Comment: See response to Finding No. 2018-05 above.

Anticipated Completion Date: Ongoing

Contact Person(s): Holly Kawano, Department of Budget and Fiscal Services, Federal Grants Coordinator

**RESPONSE TO SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

Finding No. 2018-007: Submit Reports in a Timely Manner

Audit Recommendation: We recommend the City be more diligent in following HUD deadlines in order to ensure compliance with Federal requirements.

Administration's Comment: The City will be more diligent in following HUD deadlines in order to ensure compliance with Federal requirements. All branch positions were filled as of mid-February this year, providing sufficient capacity to complete all delinquent reports by fiscal year end.

Anticipated Completion Date: June 2019

Contact Person(s): Timothy Ho, Department of Community Services, Planner VII

Finding No. 2018-008: Perform Annual Subrecipient Monitoring Duties

Audit Recommendation: We recommend the City follow its procedures to monitor subrecipients.

Administration's Comment: The City will follow its procedures to monitor subrecipients. During fiscal year 2019, the Continuum of Care program is being administered by a private non-profit organization and HUD.

Anticipated Completion Date: June 2019

Contact Person(s): Timothy Ho, Department of Community Services, Planner VII

Finding No. 2018-009: Ensuring Tenant Files Properly Support Eligibility Determination

Audit Recommendation: We recommend the City be more diligent in following its existing policies and procedures to ensure compliance with the Federal requirements.

Administration's Comment: The City will be more diligent in following its existing policies and procedures to ensure compliance with the Federal requirements.

Anticipated Completion Date: June 2019

Contact Person(s): Jayne Lee, Department of Community Services, Housing Assistance Specialist VII

Finding No. 2018-010: Income Targeting

Audit Recommendation: We recommend the City comply with the requirement or seek waivers where applicable.

Administration's Comment: The City will be more diligent in following its existing income targeting policies and procedures to ensure compliance with the Federal requirements.

Anticipated Completion Date: June 2019

Contact Person(s): Jayne Lee, Department of Community Services, Housing Assistance Specialist VII

**RESPONSE TO SINGLE AUDIT REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

Finding No. 2018-011: Participant Selection from the Waiting List

Audit Recommendation: We recommend that the City be more diligent in following its policies and procedures and provide additional training and oversight to ensure compliance with the Federal requirements.

Administration's Comment: The City will be more diligent in following its policies and procedures and provide additional training and oversight to ensure compliance with the Federal requirements.

Anticipated Completion Date: June 2019

Contact Person(s): Jayne Lee, Department of Community Services, Housing Assistance Specialist VII

Finding No. 2018-012: Earmarking

Audit Recommendation: We recommend that the City be more diligent in meeting the earmarking requirements.

Administration's Comment: The City will be more diligent in meeting the earmarking requirements.

Anticipated Completion Date: June 2019

Contact Person(s): Leina'ala Nakamura, Department of Community Services, Program Administrator

Finding No. 2018-013: Preparation of Federal Financial Reports

Audit Recommendation: We recommend that the City be more diligent in following their policies and procedures to ensure FFRs are accurately prepared in accordance with the requirements.

Administration's Comment: The City will be more diligent in following the procedures for FFR reporting to ensure the reports are accurate, properly reviewed and in accordance with the requirements.

Anticipated Completion Date: June 2019

Contact Person(s): Ann Sakurao, Department of Budget and Fiscal Services, Fiscal Officer II
Melanie Felipe-Dela Rosa, Department of Budget and Fiscal Services, Fiscal Officer II
Christopher Clark, Department of Transportation Services, Chief Planner

Finding No. 2018-014: Miscalculation of Housing Assistance Payments

Audit Recommendation: We recommend the City provide additional training and oversight over the calculation of income.

Administration's Comment: The City will continue to provide additional training and oversight over the calculation of income.

Anticipated Completion Date: June 2019

Contact Person(s): Leina'ala Nakamura, Department of Community Services, Program Administrator

APPENDIX D

Certifications of Compliance with PHA Plans and Related Regulations

**Certifications of Compliance with
PHA Plans and Related Regulations
(Standard, Troubled, HCV-Only, and
High Performer PHAs)**

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB No. 2577-0226
Expires 02/29/2016

**PHA Certifications of Compliance with the PHA Plan and Related Regulations including
Required Civil Rights Certifications**

Acting on behalf of the Board of Commissioners of the Public Housing Agency (PHA) listed below, as its Chairman or other authorized PHA official if there is no Board of Commissioners, I approve the submission of the ___ 5-Year and/or X Annual PHA Plan for the PHA fiscal year beginning 07/2020, hereinafter referred to as "the Plan", of which this document is a part and make the following certifications and agreements with the Department of Housing and Urban Development (HUD) in connection with the submission of the Plan and implementation thereof:

1. The Plan is consistent with the applicable comprehensive housing affordability strategy (or any plan incorporating such strategy) for the jurisdiction in which the PHA is located.
2. The Plan contains a certification by the appropriate State or local officials that the Plan is consistent with the applicable Consolidated Plan, which includes a certification that requires the preparation of an Analysis of Impediments to Fair Housing Choice, for the PHA's jurisdiction and a description of the manner in which the PHA Plan is consistent with the applicable Consolidated Plan.
3. The PHA has established a Resident Advisory Board or Boards, the membership of which represents the residents assisted by the PHA, consulted with this Resident Advisory Board or Boards in developing the Plan, including any changes or revisions to the policies and programs identified in the Plan before they were implemented, and considered the recommendations of the RAB (24 CFR 903.13). The PHA has included in the Plan submission a copy of the recommendations made by the Resident Advisory Board or Boards and a description of the manner in which the Plan addresses these recommendations.
4. The PHA made the proposed Plan and all information relevant to the public hearing available for public inspection at least 45 days before the hearing, published a notice that a hearing would be held and conducted a hearing to discuss the Plan and invited public comment.
5. The PHA certifies that it will carry out the Plan in conformity with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, and title II of the Americans with Disabilities Act of 1990.
6. The PHA will affirmatively further fair housing by examining their programs or proposed programs, identifying any impediments to fair housing choice within those programs, addressing those impediments in a reasonable fashion in view of the resources available and work with local jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require the PHA's involvement and by maintaining records reflecting these analyses and actions.
7. For PHA Plans that includes a policy for site based waiting lists:
 - The PHA regularly submits required data to HUD's 50058 PIC/IMS Module in an accurate, complete and timely manner (as specified in PIH Notice 2010-25);
 - The system of site-based waiting lists provides for full disclosure to each applicant in the selection of the development in which to reside, including basic information about available sites; and an estimate of the period of time the applicant would likely have to wait to be admitted to units of different sizes and types at each site;
 - Adoption of a site-based waiting list would not violate any court order or settlement agreement or be inconsistent with a pending complaint brought by HUD;
 - The PHA shall take reasonable measures to assure that such a waiting list is consistent with affirmatively furthering fair housing;
 - The PHA provides for review of its site-based waiting list policy to determine if it is consistent with civil rights laws and certifications, as specified in 24 CFR part 903.7(c)(1).
8. The PHA will comply with the prohibitions against discrimination on the basis of age pursuant to the Age Discrimination Act of 1975.
9. The PHA will comply with the Architectural Barriers Act of 1968 and 24 CFR Part 41, Policies and Procedures for the Enforcement of Standards and Requirements for Accessibility by the Physically Handicapped.
10. The PHA will comply with the requirements of section 3 of the Housing and Urban Development Act of 1968, Employment Opportunities for Low-or Very-Low Income Persons, and with its implementing regulation at 24 CFR Part 135.
11. The PHA will comply with acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and implementing regulations at 49 CFR Part 24 as applicable.
12. The PHA will take appropriate affirmative action to award contracts to minority and women's business enterprises under 24 CFR 5.105(a).

13. The PHA will provide the responsible entity or HUD any documentation that the responsible entity or HUD needs to carry out its review under the National Environmental Policy Act and other related authorities in accordance with 24 CFR Part 58 or Part 50, respectively.
14. With respect to public housing the PHA will comply with Davis-Bacon or HUD determined wage rate requirements under Section 12 of the United States Housing Act of 1937 and the Contract Work Hours and Safety Standards Act.
15. The PHA will keep records in accordance with 24 CFR 85.20 and facilitate an effective audit to determine compliance with program requirements.
16. The PHA will comply with the Lead-Based Paint Poisoning Prevention Act, the Residential Lead-Based Paint Hazard Reduction Act of 1992, and 24 CFR Part 35.
17. The PHA will comply with the policies, guidelines, and requirements of OMB Circular No. A-87 (Cost Principles for State, Local and Indian Tribal Governments), 2 CFR Part 225, and 24 CFR Part 85 (Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments).
18. The PHA will undertake only activities and programs covered by the Plan in a manner consistent with its Plan and will utilize covered grant funds only for activities that are approvable under the regulations and included in its Plan.
19. All attachments to the Plan have been and will continue to be available at all times and all locations that the PHA Plan is available for public inspection. All required supporting documents have been made available for public inspection along with the Plan and additional requirements at the primary business office of the PHA and at all other times and locations identified by the PHA in its PHA Plan and will continue to be made available at least at the primary business office of the PHA.
22. The PHA certifies that it is in compliance with applicable Federal statutory and regulatory requirements, including the Declaration of Trust(s).

City and County of Honolulu
 PHA Name

HI003
 PHA Number/HA Code

X Annual PHA Plan for Fiscal Year 2021

 5-Year PHA Plan for Fiscal Years 20 - 20

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802).

Name of Authorized Official	Title
Pamela A. Witty-Oakland	Director
Signature	Date

APPENDIX E

Civil Rights Certification

Civil Rights Certification
(Qualified PHAs)

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB Approval No. 2577-0226
Expires 02/29/2016

Civil Rights Certification

Annual Certification and Board Resolution

Acting on behalf of the Board of Commissioners of the Public Housing Agency (PHA) listed below, as its Chairman or other authorized PHA official, I approve the submission of the 5-Year PHA Plan for the PHA of which this document is a part, and make the following certification and agreements with the Department of Housing and Urban Development (HUD) in connection with the submission of the public housing program of the agency and implementation thereof:

The PHA certifies that it will carry out the public housing program of the agency in conformity with title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, and title II of the Americans with Disabilities Act of 1990, and will affirmatively further fair housing by examining their programs or proposed programs, identifying any impediments to fair housing choice within those program, addressing those impediments in a reasonable fashion in view of the resources available and working with local jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require the PHA's involvement and by maintaining records reflecting these analyses and actions.

City and County of Honolulu
PHA Name

HI003
PHA Number/HA Code

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official Pamela A. Witty-Oakland	Title Director
Signature	Date

APPENDIX F

Resident Advisory Board (RAB) Comments/Narrative

**Resident Advisory Board (RAB) Meeting
FY 2021 PHA Annual Plan
January 22, 2020
10:00 am – 11:15 am**

Members Present: Billie-Jo Naleieha, Gail Nobunaga

Staff Present: Jayne Lee, Uilani Silva, Lynne Kong

Meeting Agenda

- I. Opening Statement
- II. Introductions
- III. April – December 2019 Shortfall
- IV. Small Area Fair Market Rent (SAFMR)
- V. Section 8 Operations Overview
- VI. Operation Manual Updates (Chapter 7 Housing Quality Standards)
- VII. Family Self-Sufficiency (FSS) Program and FSS and Family Unification Program (FUP) Overview
- VIII. Comments and Questions from the RAB
- VIII. Adjournment

Summary of Presentation

- 1. Introductions of staff and RAB members
- 2. L. Kong gave an overview of the SAFMR
- 3. J. Lee gave an overview of inspection issues
- 4. U. Silva gave an update on the FSS Program and the FSS-FUP
- 5. L. Kong talked about Section 8 Operations
 - a. Telephone Menu System
 - b. Inspection Team Updates: Using iPad to take photos of deficiencies to help determine whether repairs were made, supervisory review, and the document progress for clutter issues. The PHA is making an inspection video to help families, landlords, and staff prepare for inspections. The video will be available on Facebook and the DCS website
 - c. Staffing updates: hired Examiners and Clerks to fill vacant positions
 - d. Launched the Community Assistance Division (CAD) Facebook Page in 2019
 - e. Scanning of paper documents in Progress with the hiring of the Scan Clerk
 - f. Went over progress in accommodating the Limited English Proficiency (LEP) population including translation of Section 8 application
 - g. Overview of Project-Based Voucher goals and funding
- 6. J. Lee Overview of Project-Based Voucher goals and Funding

7. J. Lee discussed SAFMR in more detail: How it got started and the “Hold Harmless” provision
8. Question and Answer session

Comments by RAB Members

1. A Board Member shared her experience with her first annual inspection. She didn’t know what to expect and was concerned about her shower not working. She had her Landlord look at it and fix the spout. Her unit passed inspection. She agreed that an Inspection video would help families in knowing what to expect during an annual unit inspection. She also mentioned that receiving a checklist that include bullet points on what to expect on an inspection would be helpful.
2. When discussing the Facebook launch, a Board Member was interested in the page but didn’t know how to access it. She thought it would be helpful in getting Program updates.
3. Regarding the telephone menu system, a Board Member said that she called the main line and was able to get in touch with her examiner easily. She said it was good.
4. During the Small Area Fair Market Rent (SAFMR) discussion, both members shared their experiences. One member mentioned that she was surprised that her rent went up. However, she realized that it was due to an increase in income.
5. When asked if they would use a new Housing pro software module that would give the option to correspond with their examiners online. It would also allow tenants to scan their papers to him/her instead of always having to call, mail, or drop-in. The new module would allow families to report changes on-line and complete fillable forms. The Board Members said that they would take advantage of this feature. One Board Member said she could do it through her smart phone. Another mentioned that it would be a good module to get if it helps the examiners. Both face-to-face and online services would be available to families.
6. When the rail stations and Transit-oriented development were discussed, one member mentioned the importance of building more affordable housing. There would be more opportunities to build affordable homes by the rail stations.
7. One member mentioned that she’s seen a lot of good changes in the last 3-4 years. She mentioned the online applications, more convenient submittal of paperwork, and the allowance of digital reporting (Self-certification) for fixes of inspection deficiencies. The biennial inspections helps to streamline processes.
8. Briefly discussed HUD rules including Fair Housing and service animals and the new rules. A Board Member had a question regarding the reporting of income for a student.

PHA Narrative

This meeting was helpful in getting feedback from the RAB members. The members shared their experiences with unit inspections and Small Area Fair Market Rent (SAFMR). The Board didn't like the fluctuation and uncertainty in their rent due to the SAFMRs. The members also gave feedback on the new Facebook page, Inspections checklist, SAFMR, and the new computer module that allows them to communicate with their examiners. Although one member expressed that she didn't know what to expect for her first unit inspection, the Board approved the self-certification of fixed deficiencies. The meeting was effective in gathering comments and answering questions that the RAB members had regarding income calculations, SAFMR, the new Facebook page, and unit inspections. Overall, the Board was pleased with the changes in the last 3-4 years. They like the new "digital" features that make communicating with staff more convenient. This includes self-certification, telephone menu system, wait list application convenience, and online fillable forms. They also gave positive feedback on the biennial inspections. It is more convenient and streamlines work process for both families and staff. They had no objections to the current goals and objectives.

APPENDIX G

Certification by State or Local Official of PHA Plans Consistency with the Consolidated Plan

**Certification by State or Local
Official of PHA Plans Consistency
with the Consolidated Plan or
State Consolidated Plan
(All PHAs)**

U. S Department of Housing and Urban Development
Office of Public and Indian Housing
OMB No. 2577-0226
Expires 2/29/2016

**Certification by State or Local Official of PHA Plans
Consistency with the Consolidated Plan or State Consolidated Plan**

I, Pamela A. Witty-Oakland, the Director
Official's Name *Official's Title*

certify that the 5-Year PHA Plan and/or Annual PHA Plan of the

City and County of Honolulu

PHA Name

is consistent with the Consolidated Plan or State Consolidated Plan and the Analysis of

Impediments (AI) to Fair Housing Choice of the

City and County of Honolulu

Local Jurisdiction Name

pursuant to 24 CFR Part 91.

Provide a description of how the PHA Plan is consistent with the Consolidated Plan or State Consolidated Plan and the AI. The FY 2021 PHA Annual Plan is consistent with the
FYs 2015-2020 Consolidated Plan and the AI. The Plan ensures equal opportunity
and furthers Fair Housing objectives.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official

Pamela A. Witty-Oakland

Title

Director

Signature

Date

APPENDIX H

Civil Rights Narrative Affirmatively Furthering Fair Housing

CIVIL RIGHTS NARRATIVE AFFIRMATIVELY FURTHERING FAIR HOUSING

A. ASSESSMENT OF THREE TO FIVE YEAR GOALS

Actions undertaken during the report period to address *Strategic Plan* objectives and areas of high priority identified in the *Consolidated Plan* are delineated by source of funds and are included in the *Community Development Block Grant (CDBG)*, *Home Investment Partnerships (HOME)*, *Emergency Solutions Grants (ESG)*, *Continuum of Care grants (CoC)*, and *Housing Opportunities for Persons With Aids (HOPWA)* sections of this narrative.

B. ACTIONS TAKEN TO AFFIRMATIVELY FURTHER FAIR HOUSING

- 1) During the reporting period, the City received and responded to multiple and diverse fair housing inquiries from the public. The City's Fair Housing Office provided information, counseling, and referral to other community resources as appropriate including referrals to the Legal Aid Society of Hawaii, Hawaii Civil Rights Commission, the State of Hawaii landlord tenant hotline, and other agencies.
- 2) The City's Fair Housing Office continued to require nonprofit housing developers to submit the Affirmative Fair Housing Marketing Plan, HUD Form 935.2A, to outline their marketing of affordable housing to protected classes such as the disabled, elderly, and non-English proficient persons.
- 3) The Fair Housing Office continued to require nonprofit lessees of City owned Special Needs Housing properties to complete and submit the HUD Form 935.2A with their proposals to lease or renew their leases with the City.
- 4) Administered two HOPWA contracts, totaling more than \$450,000 which served approximately 300 persons through the provision of rental assistance, emergency assistance, case management and advocacy services provided by two nonprofit agencies.
- 5) The Fair Housing Office planned and coordinated the Mayor's Proclamation of April 2019 as "Fair Housing Education Month" in the City and County of Honolulu. The Proclamation Ceremony was held in April 2019 in the Mayor's Office.
- 6) Affirmatively furthered fair housing education by sponsoring the event, "Fair Housing Training 2019" at the Neal Blaisdell Center on April 25, 2019. The training enhanced the fair housing knowledge of more than 300 landlords, property managers, advocates, tenants, agency staff, and others. The training event was presented by the City and County of Honolulu, the U. S. Department of Housing and Urban Development (HUD), the Hawaii Civil Rights Commission, and the Legal Aid Society of Hawaii. These agencies gave presentations on federal and state fair housing laws, reasonable accommodation and modification requests, landlord tenant code, and recent topics and trends in fair housing.

ATTACHMENT F

- 7) Participated in the joint “*Analysis of Fair Housing Impediments Study*” that was conducted by the University of Hawaii’s Center on Disabilities Studies. This was a joint undertaking of four state agencies and all four of the counties. Participated in the new 2019 “*Analysis of Fair Housing Impediments Study*”. The main focus of the 2016 study was on people with disabilities. The main focus of the 2019 study is on the City’s internal policies and procedures for fair housing. The results of these studies will be used to guide fair housing activities and initiatives in the future.
- 8) Maintained the “Fair Housing Office” portion of the Department of Community Services (DCS) website, <http://www1.honolulu.gov/dcs/fairhousing.htm>, to include a briefing and recital of fair housing laws, translation of fair housing information in Chinese, Ilokano, Korean, Marshallese, Samoan, Spanish and Tagalog, and a listing of fair housing information and enforcement resources.
- 9) Instituted standard protocols for all Department of Community Services Project Officers to submit plans for City-funded construction projects to the State of Hawaii Disabilities Communication Access Board (DCAB) for review/evaluation in compliance with HRS 103-50.
- 10) The City Fair Housing Office expanded its collaborative network of resource persons and agencies through attendance at training activities.
- 11) The City’s Fair Housing Office continued to work with nonprofit agencies that lease Special Needs Housing properties from the City through the Department of Community Services. The agencies use these properties as emergency shelters and domestic violence shelters. The agencies are reminded of federal laws under Title VI I Rights Act of 1964 (as amended) and Title VIII of the Civil Rights Act of 1968 (as amended) that prohibit any discrimination in service provision based on race, color, national origin, gender, or sexual identity.
- 12) Analyzed inquires made to, or referred to, the Fair Housing Office. The most common problems were related to two areas: landlord tenant conflict and disability rights/accessibility issues. Future training and outreach efforts will target these areas.
- 13) The Fair Housing Office’s collaborative network has expanded with additional expertise being provided by the University of Hawaii’s Office of Disability Rights, the State of Hawaii’s Disabilities Communications and Access Board (DCAB), the Hawaii Disabilities Rights Center, Mental Health Hawaii, the State of Hawaii Department of Commerce and Consumer Affairs landlord-tenant program, Hawaii Public Housing Authority, Hawaii Housing Finance and Development Corporation, City and County of Honolulu Section 8 Rental Assistance, and others.

- End November 2019 -

APPENDIX I

Public Hearing Narrative

Appendix J

Progress Report, Goals and Objectives

Goals and Objectives

A. Expand the supply of assisted housing Objectives:

1. Apply for the maximum number of new Housing Choice Vouchers (HCV), when made available by HUD

In CY 2019, the PHA was in a shortfall from April to December 2019. There were no new vouchers issued during this time except for VASH (Veterans Administration Supportive Housing) vouchers. The PHA was still able to issue 240 vouchers and lease-up over 187 extremely low-income and very low-income families for the calendar year.

From May 2015 to October 2019, the PHA applied for and received 227 VASH vouchers. Of the 227 vouchers, 138 vouchers were leased. In November 2019, the PHA expressed interest in additional VASH vouchers in response to a PIH Notice (PIH 2019-15). In December 2019, the PHA was approved for 28 additional VASH vouchers. The vouchers will be awarded in CY 2020.

The PHA also applied for and received HUD FY 2019 Family Self-Sufficiency (FSS) Program Coordinator renewal funding for two (2) positions totaling \$144,000.

2. Adopt strategies and options that maintain the maximum program size of the HCV Program

In the CY 2019, 389 applicants attended orientation sessions; of these 68 were VASH applicants. The PHA issued 241 HCV vouchers, and of those 182 families were leased-up. The PHA was able to absorb 46 families whose vouchers originated in other PHAs' jurisdictions.

The PHA monitors the payment standards in relation to rent burden on the families and funding availability. In June 2018, SAFMRs (Small Area Fair Market Rents) were implemented. The PHA updated the Payment Standards and they were uploaded in January 2019.

With limited affordable housing availability, the PHA is looking towards project-based vouchers as a means to add to the affordable housing inventory. The PHA must set aside vouchers for this. The County of Oahu is building a rail system which may allow families to seek better employment and higher education opportunities. Transit Oriented Development plans include housing in areas near or at the station locations. The goal is to maintain the maximum program size of the HCV Program as well as to maximize utilization of available vouchers.

3. Explore ways to expand service delivery to all housing markets on Oahu

The Landlord Specialist has been successful in expanding service delivery to all housing markets by educating potential Landlords of the Section 8 program, helping current tenants find rentals in different parts of Oahu and briefing applicants on their role and responsibilities in the Section 8 Program. The

Landlord Specialist develops relationships with Section 8 tenants and landlords throughout the Island.

The Landlord Specialist coordinates and hosts a monthly Landlord Briefing, if requested. In this Briefing, the Landlord Specialist explains the Section 8 program and answers any questions the Landlords may have. The briefings are also held when requested.

4. Work with the State Department of Health (DOH) to abate homes found with high levels of lead-based paint.

A representative from the PHA attends the "Lead Coalition" meetings at DOH. These meetings are held by the "Hawaii Childhood Lead Poisoning Prevention Program." There are discussions regarding lead prevention, progress, and plans made for the year. The **PHA** receives a list of addresses where people tested positive for lead every quarter. It is matched with addresses in the PHA's database. If there are matches, the PHA will work with landlords on testing and abatement.

**B. Improve the quality of assisted housing
Objectives:**

1. Improve and maintain voucher management "high performer" rating

The PHA obtained the "High Performer" rating for the SEMAP certified for the fiscal year ending June 30, 2019 and the PHA continues to strive for the high performance rating.

2. Increase customer satisfaction

The Landlord Specialist helps to improve customer satisfaction by performing landlord briefings, meeting with voucher holders to help them find housing, and meeting with service providers to find ways to help program participants.

The Landlord Specialist was successful in his outreach to Owners and Agents. The following is from the Landlord Specialist report for CY 2019:

1. Owners/Agents Outreach: 157
 2. Briefings: 47
 3. Community Resources Outreach Affiliation: 11
 4. Voucher Holder Consultations: 94
- 3.** Due to SAFMR based payment standards, the PHA will change the policy on changes to payment standard decreases. The "Hold Harmless" policy will be implemented that will allow the family to keep their current payment standard amount should the area's payment standard decrease.

4. Concentrate on efforts to improve specific management functions

After a year with a significant number of vacant positions, almost all of the positions are filled. Some positions duties were updated and some were created. This increases operational efficiencies.

The City is signing a three-year contract with Happy Software, An MRI Company. This will lower the Software annual renewal cost.

The Utility Allowance schedule was updated effective January 2020. It is revised yearly. The PHA is required to use Small Area Fair Market Rents (SAFMRs) to calculate its payment standards. SAFMRs are intended to result in payment standards that align more closely with local rental costs, particularly in higher-cost areas. Its purpose is to provide HCV-assisted families with access to "areas of high opportunity and lower poverty." The PHA continues to monitor movement between the zip codes. As of CY 2019, the families are still moving to the usual areas which include Waianae, Kapalama, and Moiliili.

There were trainings and workshops offered to staff in CY 2019. These trainings and workshops help staff to explore new ways to coordinate and link supportive services to housing. The PHA staff attended the following events in CY 2019:

Calendar year 2019 Trainings/Workshops	
January 1, 2019	Fair Housing Training
February 28, 2019	Limited English Proficiency (LEP) Workshop
May 3, 2019	U.S. Census Workshop (Your Neighborhoods by the Numbers: Advanced American FactFinder: Tracts, Block Groups, and Blocks)
May 8, 2019	Lead-Based Paint Safety Requirements for HUD-assisted Housing Programs
May 13, 2019	Program Coordinating Committee (PCC) Meeting
May 15, 2019	Annual Section 8 Coordinator's Meeting (Hawaii PHAs)
June 26, 2019	HUD Office of Inspector General (OIG) Workshop
July 31, 2019	DCS (Department of Community Services) retreat
August 7, 2019	Office of Language Access (OLA) "Strategies for Serving Hawaii's Multilingual Population"
August 22, 2019	OIG Fraud Training
September 25, 2019	Hawaii Childhood Lead Poisoning Prevention
November 17, 2019	Statewide Homeless Awareness Conference
November 22, 2019	HCV two-year tool Training
December 17, 2019	U.S. Census Workshop

On March 4, 2019, the Community Assistance Division's Facebook page went live. The address is at <https://www.facebook.com/alonoluluDCS>. The PHA is now able to keep families, landlords, the public, and partner agencies updated on any program changes and HUD rules and regulations. The Facebook page also allows the PHA to keep abreast of partner agencies.

5. Establish the Project Based Voucher Program.

Subject to availability of funds, the **PHA** envisions setting aside up to 200 project-based vouchers over a five-year period. The Honolulu's rail project is expected to provide new opportunities to develop affordable rental units along the rail line. Thus, it is expected that the highest number of PBV projects will be in the urban core.

C. Promote self-sufficiency and asset development of assisted households

Objectives:

1. Increase the number and percentage of employed persons in assisted families

For FY 2019, **HUD** required that the **PHA** have a minimum of 82 families participating in the FSS program. FSS had 105 families participating in the FSS program.

2. Provide or attract supportive services to improve assistance recipients' employability

An annual meeting of the FSS Program Coordinating Committee (PCC) will be held to cover all aspects of the Family Self-Sufficiency Program.

At least one main FSS PCC meeting will be held annually with more meetings scheduled as needed. Subcommittees consisting of, but not limited to, education, employment, and social services are being planned to allow more focus on specific areas, with experts in these areas. Additionally, FSS attends partner meetings in the community and at American Job Center. This allows the PHA to network with other community service providers with similar focuses. These focus-oriented meetings will provide opportunities for staff and providers to collaborate on new strategies and form new partnerships.

The PCC meeting was held on May 13, 2019. It focused on resource sharing with presentations from the Child Support Enforcement Agency, Social Security Administration, and Department of Human Services. Status updates from FSS and the Section 8 Rental Assistance Program were also presented.

3. Create and maintain asset-building initiative through community collaborations with Home Start, Home Start Plus, Office of Hawaiian Affairs (OHA) Programs, Aloha United Way (AUW), Other Housing Agencies

The PHA creates and maintains asset-building through the following initiatives:

1. The PHA works closely with Hale Kipa and the U.S. Veterans Administration. Hale Kipa refers aged out foster youth to the PHA. The **PHA** is able to offer the former foster youth Housing Choice Vouchers (HCV) through the Family Unification Program (FUP). The U.S. Department of Veterans Affairs (VA) refers Veterans to the **PHA** for the VA Supportive Housing Vouchers.
2. The PCC meetings are a forum to build new relationships and continue to strengthen connections with partnering agencies.

3. The PHA meets annually with HUD and other local PHAs. This allows the PHAs build camaraderie, find out best practices and continue assist one another in serving Section 8 families and landlords.
4. In order to recruit and retain landlords, the PHA offers to hold monthly Landlord briefings as well as upon request. The Landlord Specialist continues to find new landlords, previous landlords and helps to retain the current landlords. The Section 8 Staff which includes the housing specialists, inspectors, and the clerical teams continue to promote and maintain relationships with the landlords. The Landlord Specialist keeps abreast of the available funding for rapid rehousing services, security deposit, damage assistance, and any housing related concerns.

4. Provide homeownership program preference to families based on financial readiness

The HOP Administrative rules are being updated.

5. Apply for renewal of Family Self-Sufficiency Funding

The PHA applied for renewal of two Family Self-Sufficiency positions including a Supervisory Program Coordinator position and a Case Worker.

Homeownership Option Program (HOP) continues to be the top reason for enrollment as it provides assistance to families interested in homeownership by preparing families with financial readiness. The PHA is in the process of updating the HOP Administrative Plan. The HOP qualification process will be streamlined with the goal of only using staff time for those applicants that have the most promise of buying a home. After the HOP Administrative plan is approved, the PHA can reopen the waiting list.

D. Ensure equal opportunity and affirmatively further fair housing

Objectives:

1. Undertake affirmative measures to ensure program access to assisted housing regardless of race, color, religion, national origin, sex, familial status and disability

The PHA upholds and implements the Fair Housing rules and regulations. It ensures that the seven protective classes are able to get affordable housing and not be discriminated against.

2. Continue to provide language interpreter, signing, translation services to assisted households

The PHA continues to provide language interpreters when requested. The Section 8 Application was translated into five languages including Korean, Chuukese, Simplified Chinese, Mandarin/Cantonese, and Vietnamese. The PHA is planning to translate more key documents for the purpose of helping the Limited English Proficiency (LEP) population.

3. Appoint a representative to attend the quarterly Fair Housing Meetings

A representative from the PHA attends the quarterly Fair Housing Meeting. At these meetings, there are Q&As, discussions on any updates to Fair Housing, and future plans and projects.

E. Technological Advances for faster, more comprehensive communication

Objectives:

The PHA's Facebook page was launched on March 4, 2019. The Page provides information on PHA activities, HUD requirements, trainings, and job openings.

The PHA is also working with a videographer to film an Inspection video. The video will provide information to Section 8 families and landlords regarding Housing Quality Standards (HQS) requirements.